

PUBLIC DISCLOSURE

MAY 11, 2000

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

TREMONT CREDIT UNION

150 GROSSMAN DRIVE
BRAINTREE, MA 02184

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **TREMONT CREDIT UNION** prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory."

The assessment of Tremont Credit Union's record of CRA performance is based upon its efforts in meeting the criteria outlined in this report. The analysis of the credit union's net loan to share ratio for the period June 30, 1998, through March 31, 2000, indicates an average of 90.6 percent. This ratio is considered to exceed the standards of satisfactory performance. This high percentage indicates a willingness to return share deposits to membership in the form of credit. In addition, the distribution of loans originated in 1998 and 1999 reflects reasonable penetration among members of all income levels. A review of the credit union's fair lending policy and practices revealed no evidence of discriminatory or illegal credit practices.

PERFORMANCE CONTEXT

Description of Institution

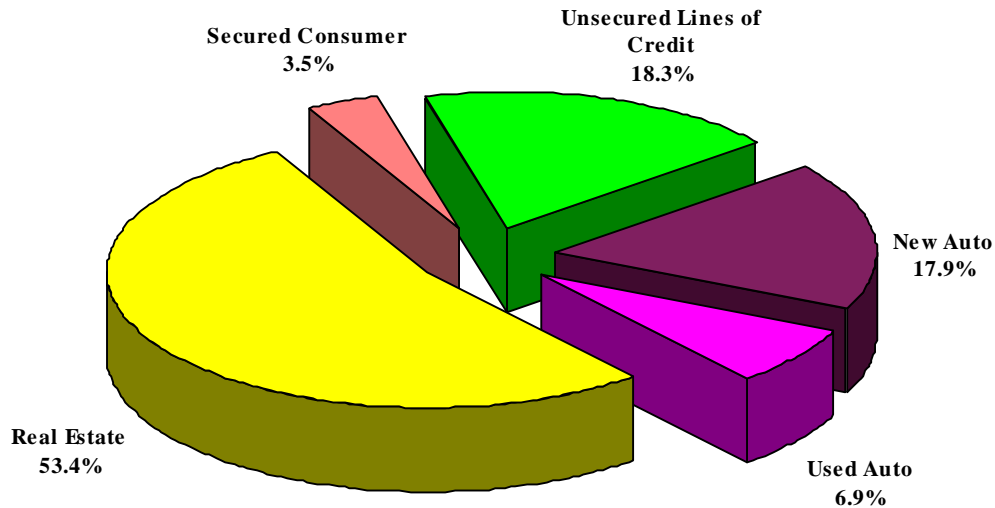
Tremont Credit Union, formerly known as Massachusetts Federal Credit Union, was chartered under the Commonwealth of Massachusetts on April 1, 1998. The credit union was originally established in 1952 as the Boston Teachers Federal Credit Union, serving only Boston Public School Teachers. With the merger of several smaller institutions, the credit union has experienced several name changes as well as changes in its eligible membership. The field of membership is currently limited to the 83 groups that are listed in the credit union's by-laws. For purposes of the credit union's by-laws, immediate families include grandparents, parents, spouse, children, grandchildren, brothers and sisters. The credit union currently serves 14,240 members.

The credit union operates from five locations with 35 full and part time employees. Its main office is located at 333 Longwood Avenue in Boston and the operations center is located in the Braintree Executive Park at 150 Grossman Drive in Braintree. The three remaining full service offices are located in Boston (2) and in Stoneham (1).

On March 31, 2000, Tremont Credit Union had total assets of \$84 million. Approximately 78.6% of total assets were in the form of loans. The credit union offers a wide range of loan products, including first and second mortgages, home equity lines of credit, new and used automobile loans, secured and unsecured personal loans, recreational vehicle loans, tax loans, vacation loans, and credit card loans. Mortgage products are underwritten by Members Mortgage and approved by the Credit Committee and the Board of Directors.

The following chart illustrates the composition of the loan portfolio as of March 31, 2000.

**LOAN PORTFOLIO BY TYPE
TREMONT CREDIT UNION
as of March 31, 2000**



Tremont Credit Union also offers low cost checking and savings products to its members and potential members. Its Basic Checking does not require an average monthly balance with direct deposit or charge a monthly fee. There is also no limit on the number of checks or ATM withdrawals per month. Without direct deposit members, with a \$300.00 average monthly balance are charged a \$3.50 monthly fee and a \$1.00 per transaction fee for ATM withdrawals of under \$50.00. The Basic Savings requires a \$25.00 minimum balance with no monthly fee.

For the convenience of its membership, the credit union provides a 24 hour audio response where members can access their accounts over the telephone. In addition, its web site, www.TREMONTCU.ORG provides the latest rates, and information about the credit union. The site also features a loan payment calculator, links with other sites and provides loan application forms. Members can also receive information through the Internet at INFO@TREMONTCU.ORG.

This is the credit union's first examination for compliance with the Community Reinvestment Act (CRA) and Fair Lending. Since the credit union recently became state-chartered, the Division conducted a visitation to ensure programs and controls were in place on October 21, 1998. No rating was issued at this visitation.

Description of Assessment Area

According to CRA regulations, an institution shall delineate one or more assessment areas within which the institution will serve to meet the credit needs of its community and by which the Division will evaluate the institution's CRA performance. A credit union whose membership by-laws provisions are not based on residence is permitted to delineate its membership as its assessment area. Tremont Credit Union has defined its assessment area in this manner.

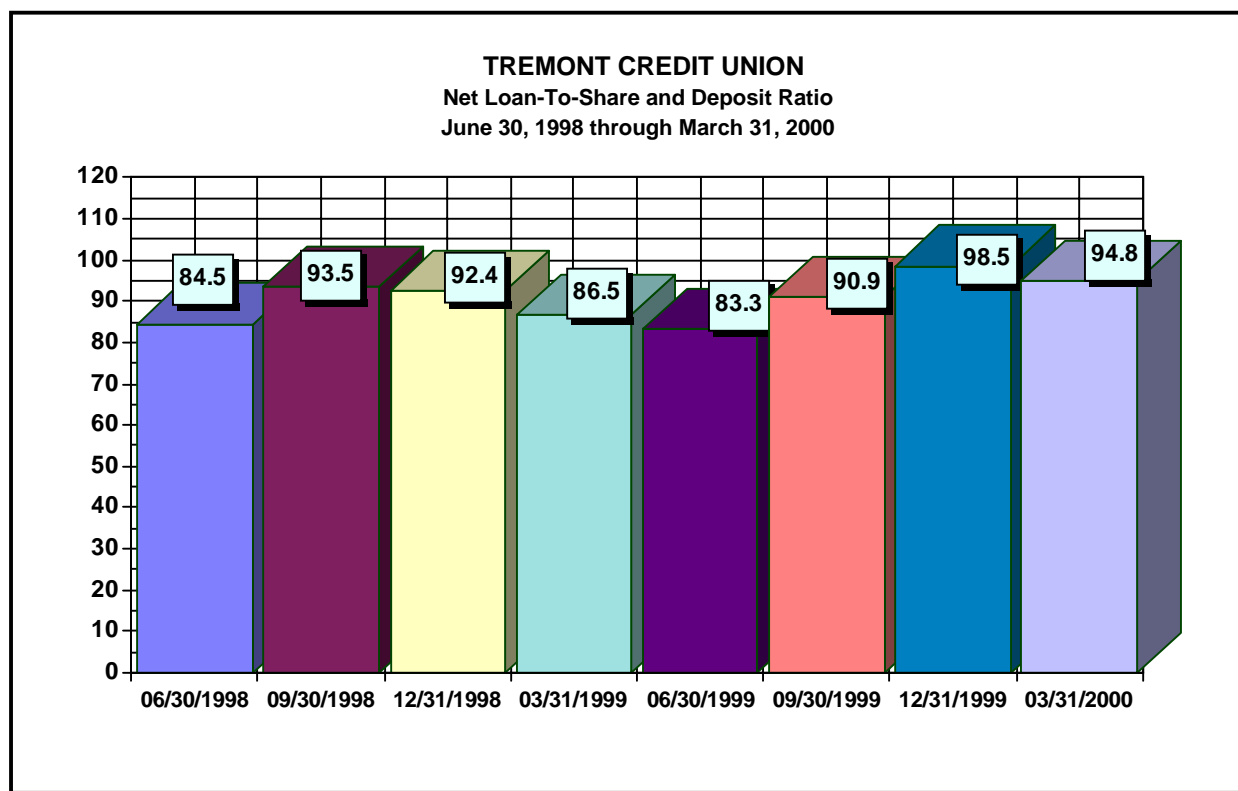
Tremont Credit Union's field of membership extends to individuals affiliated with or employed by 83 various groups and entities and their immediate families as identified in the credit union's by-laws. These groups and entities include a variety of both public and private educational institutions; non-profit and social service agencies; government agencies; medical facilities; manufacturers; service related businesses; museums; and unions.

PERFORMANCE CRITERIA

1. NET LOAN TO DEPOSIT ANALYSIS

An analysis of Tremont Credit Union's net loan-to-shares and deposit ratio was performed using NCUA quarterly call reports from June 30, 1998 through March 31, 2000. This analysis was conducted to determine the extent of the credit union's lending compared to deposits received from its membership. For the period reviewed, the credit union's net loan-to-shares ratio has averaged 90.6%. The ratio has fluctuated from a low of 83.3% on June 30, 1999 to a high of 98.5% on December 31, 1999.

The following graph illustrates the net loan-to-share trends for the period under review.



The asset size of the institution has increased substantially for the period under review. The credit union has grown from approximately \$73 million as of June 30, 1998, to \$84 million as of March 31, 2000. Loan growth has significantly outpaced deposit growth over this period of time resulting in an increase of the net loan-to-share and net loan-to-asset ratios. In fact, loan growth has increased approximately 27.8%, while deposit growth has increased approximately 13.9%. Management attributed the increase in deposit growth in part to the merger with another credit union, which in turn has resulted in new members to the credit union. In addition, the fluctuation in the above ratios can be partly attributed to the work schedule of a significant portion of the credit union's membership. The credit

union's membership includes teaching personnel whose work schedules begin in September and end in June.

The credit union's net loan-to-share and deposit ratio was compared to those of six other credit unions of similar size and type. These other institutions' net loan-to-share and deposit ratios were calculated from the NCUA's Call Report data and ranged from 74.6% to 94.4% on December 31, 1999. Tremont Credit Union's net loan-to-deposit ratio for the same time period was 98.5%. Refer to the following table.

<i>Institution</i>	<i>Loan-to-Share Ratio</i>
<i>Tremont Credit Union</i>	<i>98.5</i>
U. Mass/Five College Credit Union	94.4
City of Boston Credit Union	80.4
So. Mass Telephone Workers Credit Union	79.1
Mass Mutual Credit Union	75.8
Mass. Institution of Technology Credit Union	74.9
Western Mass Telephone Workers Credit Union	74.6

Based on the above information, the credit union's asset size and resources, and the credit needs of its membership, the credit union's net loan to share ratio is considered to exceed the standard for satisfactory performance.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA (S)

Under the CRA regulations a credit union whose by-laws are not based on residence may define its assessment area as its membership. Because a membership defined assessment area does not consider any fixed limits based on geography, an analysis involving credit extended inside a particular defined geographic area compared to credit extended outside of a particular geographic area is not meaningful.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

An analysis of Tremont Credit Union's residential mortgage loan originations and a sample of originated consumer loans for the period January 1, 1998, through December 31, 1999, was conducted to determine the distribution of credit based upon the income levels of borrowers. The majority of the originations were within the Boston Metropolitan Statistical Area (MSA); however, loans were also originated in the Brockton MSA, the Lawrence MSA, the Lowell MSA and the Rhode Island MSA. These loans were categorized by the ratio of the applicant's reported income to the estimated 1998 and 1999 median family incomes for the respective MSA's. The median 1998 and 1999 incomes for the various MSA's are depicted in the following table. These income figures are based on estimated data from the Department of Housing and Urban Development (HUD).

MEDIAN FAMILY INCOMES		
MSA	1998	1999
Boston	\$60,000	\$62,700
Brockton	\$53,900	\$55,700
Lawrence	\$56,700	\$57,900
Lowell	\$59,200	\$61,800
Rhode Island	\$46,900	\$48,100

Low income is defined by the U.S. Census Bureau as income below 50% of the median family income level for the MSA. Moderate income is defined as income between 50% to 79% of the median family income level for the MSA. Middle income is defined as income between 80% and 119% of the median family income level for the MSA. Upper income is defined as income greater than 120% of the median family income level for the MSA.

Tremont Credit Union granted a total of 182 HMDA-reportable loans from January 1, 1998 through December 31, 1999. HMDA-reportable loans consist of home purchase and home improvement loans, including refinancings on one-to-four and multifamily (five or more) properties. Loans extended to borrowers of middle-income represented the largest individual category with 40.6%. Loans extended to borrowers of upper-income represented 38.5%, and loans to borrowers of low and moderate-income represented 17.6% of total HMDA reportable loans originated. These favorable ratios indicate a willingness by the credit union to extend credit to borrowers of all income levels. Refer to the following table for a complete breakdown.

MORTGAGE LOAN ORIGINATIONS BY INCOME OF BORROWER

% OF MEDIAN MSA INCOME	1998		1999		TOTAL	
	#	%	#	%	#	%
<50%	4	5.3	5	4.7	9	5.0
50% - 79%	6	7.9	17	16.0	23	12.6
80% - 119%	30	39.4	44	41.5	74	40.6
120%>	32	42.1	38	35.9	70	38.5
N/A	4	5.3	2	1.9	6	3.3
TOTAL	76	100.0	106	100.0	182	100.0

Source: 1998 & 1999 HMDA Data

An additional review of the total dollar amount of HMDA reportable originations for the same period was also performed. The dollar amount figure was fairly consistent with the number of originations within the assessment area. A total of \$22,493,000 in HMDA reportable loans was originated over the past two years. Of these loans, \$3,028,000 or

13.5%, were originated to members of low and moderate-incomes. Refer to the following tables for additional information.

DOLLAR AMOUNT OF MORTGAGE LOAN ORIGINATIONS
BY INCOME OF BORROWER

% OF MEDIAN MSA INCOME	1998		1999		TOTAL	
	\$	%	\$	%	\$	%
<50%	263	3.0	415	3.1	678	3.0
50% - 79%	644	7.2	1,706	12.6	2,350	10.5
80% - 119%	3,497	39.2	5,723	42.2	9,220	41.0
120%>	4,091	45.8	5,440	40.1	9,531	42.4
N/A	435	4.8	279	2.0	714	3.1
TOTAL	8,930	100.0	13,563	100.0	22,493	100.0

Source: 1998 & 1999 HMDA Data

A sample of consumer loans originated in 1998 and 1999 was also reviewed. This sample included a mixture of 50 automobile loans, and secured and unsecured personal loans approved during this period. According to this analysis, the credit union granted 30.0% of the number and 22.9% of the dollar amount of its consumer loans to low and moderate-income borrowers. Refer to the following tables.

CONSUMER LOAN ORIGINATIONS BY INCOME OF BORROWER BY NUMBER

% OF MEDIAN	1998	1999	TOTAL
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MSA INCOME						
	#	%	#	%	#	%
<50%	4	16.0	2	8.0	6	12.0
50% - 79%	4	16.0	5	20.0	9	18.0
80% - 119%	15	60.0	13	52.0	28	56.0
120% >	2	8.0	5	20.0	7	14.0
TOTAL	25	100.0	25	100.0	50	100.0

Source: Information contained in the credit union's loan files.

CONSUMER LOAN ORIGINATIONS BY INCOME OF BORROWER
BY DOLLAR AMOUNT

% OF MEDIAN MSA INCOME	1998		1999		TOTAL	
	\$000	%	\$000	%	\$000	%
<50%	18	8.0	6	3.5	24	6.0
50% - 79%	26	11.7	42	23.5	68	16.9
80% - 119%	152	67.8	93	52.2	245	60.9
120% >	28	12.5	37	20.8	65	16.2
TOTAL	224	100.0	178	100.0	402	100.0

Source: Information contained in the credit union's loan files.

Overall, it appears that the institution is lending to members of all income levels. Based upon the analysis of residential and consumer loans by borrower income, the credit union meets the standards for satisfactory performance in providing credit to members of all income levels.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

A credit union whose membership by-laws provisions are not based on residence is permitted to delineate its membership as its assessment area. Since Tremont Credit Union has defined its assessment area as its membership, an evaluation of credit

extended within the geographic area was not conducted, as such an analysis would not be meaningful.

5. REVIEW OF COMPLAINTS

Based upon the review of the credit union's public comment file and its performance relative to fair lending policies and practices the institution meets the standards for satisfactory performance.

REVIEW OF COMPLAINTS

The credit union has not received any complaints pertaining to its CRA performance.

FAIR LENDING POLICIES AND PRACTICES

The credit union has a formal Fair Lending Policy that was last reviewed and approved by the Board of Directors on September 23, 1999. The policy addresses the requirements of Regulatory Bulletin 2.3-101, the Division's fair lending policy. Detailed below is the credit union's performance as it correlates to the Division's policy.

STAFF TRAINING

The credit union's senior management has not attended any CRA or Fair Lending related training seminars during the current examination period. However, the credit union's Chief Financial Officer is scheduled to attend a diversity seminar in August of 2000. The seminar is sponsored by CUNA.

Management educates the staff on changes in the laws and regulations keeping them informed of current issues and legal changes. Staff meetings are conducted each month at the credit union's operations center and all personnel are required to attend.

STAFF COMPOSITION AND COMPENSATION

As of March 31, 2000, the credit union had a total of 35 full and part time employees 8 of who are minorities. The credit union employs individuals who are bi-lingual in Spanish, German and French.

OUTREACH

The credit union's outreach efforts are limited due to its size and resources; however, outreach efforts are conducted on an informal basis through day to day contact with members and potential members.

CREDIT PRODUCTS AND UNDERWRITING STANDARDS

The credit union offers first time homebuyer products through Members Mortgage Corporation, which offers flexible lending criteria. Terms include 3-5% down payments, and debt-to-income ratio up to 40% with no reserves.

Due to the increasing number of elderly members, Tremont Credit Union recently became a participant in H.O.M.E. (Homeowner Options for Massachusetts Elders). Through its partnership with H.O.M.E., the credit union will enhance its service capacity for its elder homeowner membership. The H.O.M.E. program is a statewide, nonprofit, charitable organization dedicated to assisting older homeowners.

MARKETING

Credit products and services are mostly advertised through direct mailing, statement stuffers or fliers mailed to all members. The credit union provides its membership with a quarterly newsletter entitled, "Balance Sheet." This newsletter includes articles on the credit union's products and services, events and activities, as well as educational articles. In addition, the credit union maintains a website, which provides information on products and services on the Internet.

CREDIT EDUCATION

The credit union has not participated in any First Time Homebuyers Seminars during the examination period.

COUNSELLING

Members are provided with credit counseling and professional financial services when necessary. The credit union's staff also offers personal counseling on homeownership to members on an ongoing basis.

SECOND REVIEW PRACTICES

Incorporated in the Tremont Credit Union's Loan Policy is the action taken for denial. All loan applications that have been denied are reported to the Credit Committee, which is comprised of three members of the Board of Directors. The Credit Committee has the authority to approve or deny any loan request. The loan officer, upon completion of denying the application, will notify the Credit Committee and request them to review and sign the application. Members that are denied can appeal the decision verbally and or in writing for another look by a senior loan officer that had no input into the original decision.

INTERNAL CONTROL PROCEDURES

The Chief Operating Officer compares the HMDA/LAR report with loan applications annually, to ensure the accuracy of all entries.

MINORITY APPLICATION FLOW

The examination included a review of the number of residential loan applications received by minority members during 1998 and 1999. A total of 41 or 21.2% percent of the total mortgage applications were received from minorities. Of this amount, 37 or 90.2% of the total amount of mortgage applications received by minority applicants were originated. Although no demographic information of the credit union's membership was available, it appears that the credit union is willing to lend to all segments of its membership.

In addition, a loan file comparison between declined and approved applications was conducted to ensure that equal treatment of all applicants is being practiced. No evidence of discriminatory or other illegal credit practices was noted.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

TREMONT CREDIT UNION

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **MAY 11, 2000**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

_____	_____
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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that community.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.